



**CITY OF SCOTTSDALE
SCOTTSDALE WESTWORLD SUBCOMMITTEE
REGULAR MEETING**

Wednesday, June 18, 2014

**Monterra at WestWorld
16601 N. Pima Road
Scottsdale, Arizona**

- PRESENT:** Mayor Jim Lane, Chair
Guy Phillips, Councilman
Dennis Robbins, Councilman (departed at 5:15 p.m.)
- STAFF:** Paul Katsenes, Director, Tourism & Events Department
Brian Dygert, General Manager, WestWorld
Dan Worth, Executive Director, Public Works
Rachel Smetana, Management Assistant to the Mayor
Gloria Storms, Business Manager, WestWorld
Kyla Anderson, Senior Auditor
Derek Earle, City Engineer
Monica Staats, Sr. Management Analyst, Public Works
Anna Levya, Project Manager, Sr., CPM
- GUESTS:** Taryl O'Shea
Fred Unger
Casey McDonald
Janice Wright
Paul Mardesich
Teri Wilson
Craig Jackson
Bob Brown
Jason Rose

Call to Order/Roll Call

Noting the presence of a quorum, Mayor Lane called the regular meeting of the Scottsdale WestWorld Subcommittee to order at 4:02 p.m.

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1. **Approval of April 16, 2014 Minutes**

COUNCILMAN PHILLIPS MOVED TO APPROVE THE MINUTES OF THE APRIL 16, 2014 REGULAR MEETING AS PRESENTED. COMMISSIONER ROBBINS SECONDED. THE MOTION CARRIED BY A VOTE OF THREE (3) TO ZERO (0).

2. **Discussion – Update on WestWorld Public Art**

Dan Worth, Executive Director of Public Works, reported that the City sent a Notice to Proceed to the artist chosen to create the public art piece for WestWorld. The proposed location for the art installation is near the northwest corner of the Equidome. He noted that Craig Jackson recently sent a letter requesting that the location be changed to the northwest corner of the North Hall. The cost associated with redesigning the location and relocating the utilities there will be about \$250,000. That amount has not been budgeted. The original location has already been prepared.

Mayor Lane inquired about the reasoning behind the original location. Mr. Worth responded that when the project was designed, the original location was seen as the main entrance. The design's intended uses have evolved over time. Both the Auto Auction and the Arabian Horse Show use the north end of North Hall as the main entrance. Other events throughout the year may be more likely to use the original main entrance.

Mayor Lane invited feedback from the public.

Craig Jackson, Barrett-Jackson Auto Auction, said he argued from the beginning that the north end of North Hall would be the natural main entrance to the facility. The plans were changed slightly, but did not go far enough. Mr. Jackson used a diagram to indicate the location of tents and ingress/egress points for cars during his auction and how the original statue site could interfere with them. He offered to help move it.

Mr. Worth noted that the statue requires a footprint measuring 15 x 75 feet. It would not be brought so far north as to impede the entry of cars to the North Hall. Mayor Lane inquired about the size of the horse statue. Gloria Leyva explained that it will be high enough for people to walk under. Mayor Lane said he understands that the proposed new location would have a greater street presence, but the original location gives the public more opportunity to interact with it.

Janice Wright said the Arabian Horse Association has been heavily involved with the facility's evolution over the years, and has participated in every meeting. The Association has always felt that nothing should be allowed to interfere with the space proposed for the statue. Putting anything there will impede access to the facility. The intent was always to keep the space user friendly and open. The AHS had a waiting list of 200 vendors last year and that open space would help accommodate future growth. The event producers have volunteered their time to provide input to planners on their needs from the facility, but suddenly this statue is introduced without warning. She encouraged the City to find another site for it.

Jason Rose, Horses & Horsepower, said Scottsdale spent \$50 million on this facility with the stated goal of retaining events like Barrett-Jackson and the Arabian Horse Show, so they should not be ignored when it comes to this issue. He said public art is very important, but should not interfere with the functionality of the new facility and its two biggest events. The team charged with bringing business to WestWorld believes the alternate location works best. He felt the estimated cost to move the statue was too high, and suggested it could be done for much less.

Taryl O'Shea, Arabian Horse Association, inquired whether other events use the original site as the main entrance. Brian Dygert said the working group considered the future when planning the facility and decided that the west and east sides of the North Hall had to remain open to accommodate future needs. Most events that use the North Hall use the north entrance. Ms. O'Shea said the statue is a beautiful piece that will be buried behind infrastructure, and she knows of no event that uses the proposed location as the main entrance. It will hinder the ability of the AHS to grow.

Mayor Lane said the decision to spend money to change locations would have to come from the full City Council. Councilman Phillips questioned why it took so long for the City to find out that the proposed location was so problematic. The statue has been discussed for a long time. He said he would be more inclined to keep it where it is, considering that it will cost taxpayers so much to move it. Councilman Robbins felt the statue should move to the intersection to remove it from conflicting with operations. The entire project has been evolving for some time, and this should be no different.

The Subcommittee directed staff to research the cost of moving the public art piece to a new location and present that information to the full City Council for their consideration. Mr. Worth suggested the possibility of first exploring a slight move to the south to see if that would work to everyone's satisfaction at a lower cost. If that proves unfeasible, staff could make a budget request to the Council in August. He noted that the cost estimate to relocate the statue is based on a bid from the private sector and considers all related expenses.

3. Discussion – Recap of CPM contracts for WestWorld expansion

Dan Worth discussed the effort to control and track project costs for the WestWorld expansion. He provided a chart listing all the occasions in which staff approached Council for feedback regarding the project, dating back to September 2010. It was initially proposed as a \$33 million year-round venue for equestrian events, but later was expanded to include the North Hall to accommodate Barrett-Jackson and other events. A \$4.2 million unanticipated budget increase was approved in December 2012 to finish construction.

Mr. Worth said the budget for the equestrian venue consisted of a \$30.2 million construction cost estimate from Populous, and \$2.8 million for contingency and overhead. The estimate included City fees, public art, Capital Project Management (CPM) and non-CPM salaries, CPM allocations, and contingency. Mr. Worth said there have been a number of project managers associated with this expansion over the years.

Many who were involved with preparing the estimates are no longer with the City, and much of what occurred had to be reconstructed in order to understand what happened. Mr. Worth said when the decision came to expand the project to include the North Hall, Populous prepared an estimate based on general cost per square foot, but a substantial amount of work had to be done to prepare the site, including moving a road, a storm drain, wastewater and water lines, and re-grading. The building cost was \$5 million, but associated site costs amounted to \$7 million. The estimate for the expanded scope was \$12.8 million, which did not account for the additional project costs. Combined with the initial project, the total construction cost was \$38.5 million. A debt service reserve issue took \$3 million away from the project. This situation left very little room to maneuver and next to no contingency to cover any unexpected changes. Continuous value engineering on the part of staff reduced the cost overrun from nearly \$8 million to \$4.2 million.

Mr. Worth stated that staff requested \$47 million for the expanded scope, and the project is now under that budget. Design costs were significantly held down, and all non-construction spends were reduced. Even though an additional \$4.2 million was required to finish the project, the amount of value squeezed out of that amount was exceptional.

Mr. Worth said the lessons learned from the experience include the need for clear and consistent use of terms, a reasonable assessment of the ability to control non-construction costs, and avoiding a repeat of earlier mistakes. Corrective actions have been taken to avoid these problems in the future.

In response to an inquiry from Mayor Lane, Mr. Worth explained that cost overruns were related to the City receiving higher bids than initially estimated, the need to expand the square footage to accommodate required amenities, and the need to finish the project in time for peak season. These overruns could have been avoided had the contingency been properly funded right from the start.

Mayor Lane noted that many of the additional expenses came as a result of having to adapt the construction to address feedback from the producers. The City would have been better served to coordinate efforts with them in advance to ensure that the project was planned properly from the start.

4. Discussion – Marketing Report for New Events

Fred Unger, Western Capital Corporation, stated that the new Tony Nelssen Equestrian Center is functionally well designed, well-built, and is being well received. The full sales team was not assembled until April. Over 250 people were interviewed for the team. He said the sales team would not be able to do their job without the constant collaboration and support of the City staff.

Bob Brown, National Sales Director, reported on sales activity through May. In the first 75 days of the team's existence, a number of new events have been developed. Thirteen prospects have requested a proposal and completed a site visit, representing almost \$280,000 in potential revenue. Seven prospects, representing a potential of \$750,000, have provided a verbal commitment and are pursuing a contract. Eleven

events have closed deals for projected revenue of \$335,000. The combined potential in new business revenue generated by the team so far is \$1,440,000.

One of the sales team's objectives is to identify potential events for the off season, typically from May to late September. Opportunities include the Scottsdale 4th of July Celebration, high school graduation ceremonies, indoor concerts, corporate holiday parties, conventions, corporate seminars, fitness competitions, non-profit fundraisers, and sporting events that can use an indoor facility.

Mr. Brown said many site visits have been conducted in 75 days. If guests see that WestWorld does not meet their needs, they are directed towards other locations in Scottsdale. Another goal is to broaden market segmentation beyond equestrian events. This will include community events like a haunted house, consumer-oriented shows, trade shows, multi-day festivals, single day events, high profile corporate events, culinary competitions, and Super Bowl related events. Several events will use multiple buildings and spaces simultaneously, including some non-equestrian events in the Equidome. Groups admire the flexible space and arena seating of Equidome. Mayor Lane approved of the policy to broaden the market, but noted the significant community desire to maintain a strong equestrian component, since the City has invested heavily in stables and other supporting amenities.

Mr. Brown explained that the sales team attended various trade shows. Meetings Quest in Mesa allows planners to meet with event producers. The National Association of Consumer Shows in Charlotte is the leading institution for consumer shows. The Connect Sports Marketplace in Orlando in August is a leading event for sports buyers to talk to vendors. International Meetings Executive Group and the Teams Conference are both held in Las Vegas. The International Association of Exhibition Executives brings show owners and producers in contact with products and services to support their efforts.

Mr. Brown stated that the new westworldaz.com website has been launched. Social media accounts are being developed for Instagram, Facebook and Twitter. The new marketing logo has been created. A portable trade show exhibit has been built. A toll free number 844-WestWorld is operational. Facility listings are placed in the most prominent and effective publications in the trade show world. WestWorld is intimately involved in community networking organizations and affiliated with hospitality associations. Mayor Lane inquired about WestWorld's primary competition in the Valley. Mr. Brown listed University of Phoenix Stadium, and resort hotels with meeting spaces. There is nothing quite like WestWorld anywhere in the country. He clarified that WestWorld has a collaborative relationship with resorts. The Phoenix Convention Center is not really a competitor because they only host a limited number of consumer shows.

Paul Katsenes said the marketing and sales team meets every Wednesday to review all prospects and to assess everyone involved on the most recent developments. The food and beverage staff reports on the events being booked at Monterra and on the type of services being requested. Mayor Lane inquired whether the large event tent would remain. Mr. Brown said it is used alone or in conjunction with other spaces.

5. Discussion – Review Existing/Renewing Events

Brian Dygert, WestWorld, provided a snapshot of a year's worth of activity at WestWorld. He noted that about 12% of events come and go, the rest have been here for multiple years. Everything that was discussed in the last agenda item represents new business. Revenue has mostly come from facility rentals for existing events that are growing into the property. The Equidome has become the single most rented space at WestWorld since it was enclosed. He said while the sales team has been highly focused on non-equestrian events so far, some very specific and significant equestrian events are being targeted. He noted that equestrian events generate income from horse stall rentals that non-equestrian events do not.

6. Next WestWorld Subcommittee Meeting Date

The next Subcommittee meeting will be held September 17, 2014.

Public Comment

There were no public comments.

Adjournment

The meeting adjourned at 6:10 p.m.

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